

## Greece is still the word on finance front

Moneycorp analyst Chris Redfern on the latest goings-on in the currency markets as the situation in Greece continues to twist and turn



Moneycorp analyst Chris Redfern

**I**nvestors were unimpressed by the "agreement" imposed on Greece by its Troika of creditors last week (13-17 July).

The Athens parliament reluctantly approved changes to tax and social security legislation that were a precondition of negotiations towards a fresh bailout.

In response, the European Central Bank unlocked its Emergency Liquidity Assistance, allowing Greek banks to reopen today (20 July), and the European Commission provided a €7 billion bridging loan to enable Greece to meet scheduled repayments to the ECB.

Unfortunately, just about everyone involved thinks the plan will not work without some form of debt relief for Greece. European leaders fearing a domestic voter backlash if they let "feckless" Greece off the hook have not, yet, felt able to take that step. So the

euro, accompanied by the Swiss franc, endured a difficult week.

The pound and the US dollar had a good week. Both currencies received assistance from their central bankers. The Federal Reserve chairperson told congress that she still expects US rates to move higher this year, and the Bank of England governor said the first rate increase will come "around the turn of the year".

Meanwhile, Canada and New Zealand are heading in the opposite direction. On Wednesday (15 July) an unexpected rate cut by the Bank of Canada hurt not only the Loonie, but also the NZ dollar, because it reminded investors that there could well be another cut by the Reserve Bank of New Zealand this Thursday (23 July).

The Reserve Bank of Australia is not expected to follow the Canadian lead but that outlook could change if this

week's inflation data are lower than forecast.

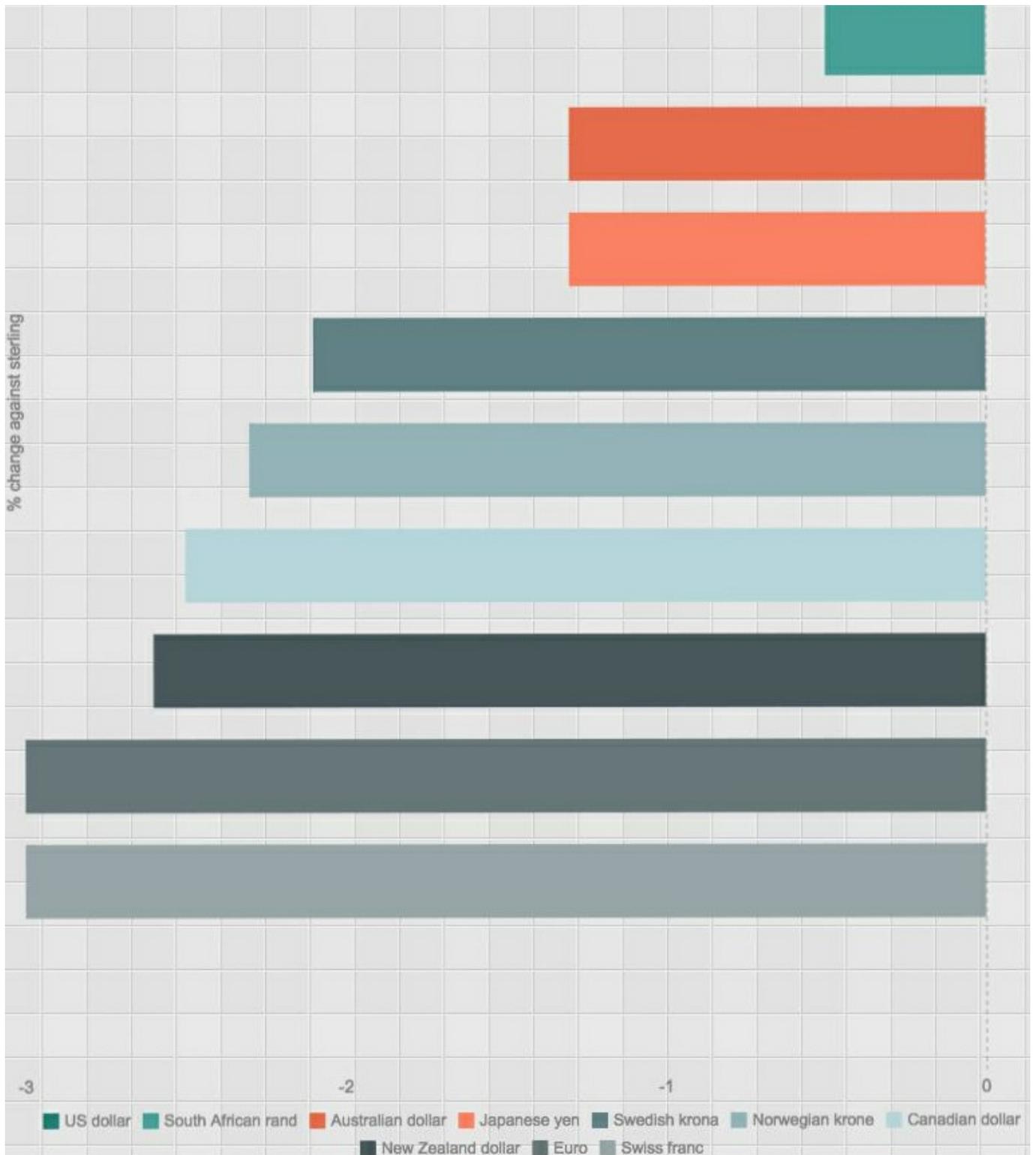
Sterling's continued success will depend on Thursday (23 July)'s UK retail sales figures. Poor numbers would be likely to knock the pound back from its multi-year highs against the euro, the rand and the commodity dollars.

### Top currencies, 13-17 July 2015



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